THE CONSTITUTION AND FINANCE OF THE ROYAL AFRICAN COMPANY OF ENGLAND FROM ITS FOUNDATION TILL 1720

THE early history of the Royal African Company of England has an interest of its own in view of the peculiarities of its financial methods. Towards the close of the seventeenth century the joint-stock organism was adapting itself to its environment; and of all the different forms of adaptation that of the African Company presents the most marked characteristics. From the point of view of economic history it is important to be able to make some estimate of the amount of capital employed in early trading undertakings and the mode of their finance. Fortunately it is possible to obtain this information in the case of the African Company and also to follow the different steps by which the capital of the company had expanded or contracted according to the needs of the trade and the state of the privileges of the undertaking.[1]

Prior to the incorporation of the Royal African Company English traders had sent intermittent voyages to the coast of Guinea for over a century. Sieur de Guerchy, writing to the Duc de Praslin in 1767, dates the foundation of the English trade to Africa as early as 1536.[2] Hakluyt mentions five voyages as undertaken in each of the years from 1553 to 1557.[3] In 1563 Queen Elizabeth was a partner in an expedition, commanded by John Hawkins, which yielded a satisfactory profit.[4] In 1588 the first African Com-

[1] The chief source for this important information is a collection of papers relating to the company, which is preserved amongst the "Treasury Papers" at the Public Record Office, London. These documents are entered under the general heading of "Royal African Company" in a separate MS. catalogue, and consist of "Warrant Books," "Home Journals," "Minute Books of the Court of Assistants," "Stock Journals and Transfer Books," "Accounts, Letters, etc.," and "Miscellaneous Books." There is no "Minute Book of the General Court" and several volumes of "Minute Books of the Court of Assistants" are missing. Many of the books are bound in fine white vellum, with the elephant (taken from the arms of the company) stamped on them in gold. Many points of interest might be noticed as arising from a careful examination of these papers. It may be mentioned that James II. held £1,000 "original stock." After the Revolution it was decided that this stock must be transferred to William and Mary. The original transfer from James II. to Graham, the secretary of the company, is bound up in one of the minute-books (No. 1456, f. 32), and, although it is dated August 20, 1691, James is still entitled "the King's most excellent Majesty" and "King James."

[2] Bonnassieux, Pierre, *Les Grandes Compagnies de Commerce* (Paris, 1892), 96–98.

[3] *Voyages* (Ed. 1809), II. 464, 470, 480, 496, 504.

[4] *Calendar State Papers, Dom.*, 1547–1580, p. 215. *Annals of Commerce*, by David MacPherson, II. 136–137.

pany, incorporated by letters patent, was founded[1] and another similar company in 1618.[2] In 1631 a third chartered undertaking was formed;[3] but, like its predecessors, it was unable to hold its ground, and in 1651 a temporary charter was granted the East India Company.[4]

After the Restoration a new company was formed, which was the direct predecessor of the Royal African Company. On Jan. 10, 1662, Charles II. incorporated a number of persons under the title of the "Governor and Company of the Royal Adventurers of England trading into Africa." The charter, besides granting the usual rights of a corporation, conveyed in addition the privilege of exclusive trade from Sallee to the Cape of Good Hope.[5] This company started under distinguished patronage. Prince Rupert was the first governor and amongst the thirty-six assistants there were several noblemen and merchants of good standing. At first the operations of the company promised to be very successful but its officials involved it with the Dutch by attacking their forts in Africa. This led to reprisals, and the English forts, ships and goods on the coast of Guinea were seized by the Dutch in 1665. The remainder of the short history of this company is one of financial distress. As in the case of the previous Guinea Company attempts were made to farm its privileges to persons who were not members. In 1668 an offer was made of £1,000 a year for seven years for the right to trade to the north coast of Africa.[6] The rents obtainable for the lease of the company's privileges were insufficient to liquidate the debt already contracted; and, in 1672, the charter was surrendered to carry out a scheme of arrangement with the creditors.

The method of satisfying the claims against the company was both drastic and original. To ascertain how the situation was faced it is necessary to examine in some detail the finance of the adventurers. The capital subscribed at the formation of the company amounted to £122,000 in 305 shares of £400 each, divisible into half shares of £200 each. The qualification of the governor was one share, or £400.[7] Out of the £122,000 subscribed, it was agreed that £20,000 should be paid to the representatives of Sir Nicholas Crisp (who had been a prominent member of the previous

[1] *Hakluyt's Voyages*, II. 610.

[2] State Papers, Grant Book Dom. Jac. I., p. 268.

[3] *Rhymer's Foedera*, XIX. 370.

[4] *Annals of Commerce*, II. 370.

[5] Charter of the Royal African Co., Treasury Records (Public Record Office), Royal African Co., No. 1390, f. 3.

[6] Treasury Records, Royal African Co.—Court Book of the Assistants of the Company, 1663–1670, f. 82.

[7] *Ibid.*, f. 101.

company) for the forts and factories in Africa. This debt was never discharged by the Company of Royal Adventurers and was still owing in 1709.[1]

As early as 1664 fresh capital was required and "2 per cent. above the ordinary interest" was offered for loans from the shareholders at par. Subscriptions were invited for £25,000; but, outside the assistants, very little was raised.[2] Later in the same year a fresh endeavor was made to raise capital, and, on this occasion, the bonds were to be issued at a discount. On Nov. 4, 1665, the King wrote that considering "the greatness of the Company's debt and the heavy interest under which the Company's stock now labours," all money realized by home-coming ships should be used in paying debts not in new ventures.[3] At this date loans could only be effected on the personal security of the assistants.[4] In 1667 another attempt was made to float a loan but with small success, though in some cases creditors were induced to accept bonds under the company's seal in satisfaction of their claims.[5]

From 1667 to 1671 the position of the company had gone from bad to worse and at the latter date the undertaking was insolvent. The debts were estimated to amount to £57,000 and beyond the privileges of the charter the assets were of little if any value. The company and its creditors were therefore in the dilemma that there were few if any assets except the charter, and if the charter were to be of any value working capital was required. In the existing state of the company's finances, there being no credit, capital could not be obtained until the creditors had been satisfied. It was therefore to the interest of both shareholders and creditors that the company should be reconstructed even at considerable sacrifice, and in 1671 a scheme was drawn up and accepted which provided for winding up the company and for the formation of a new one while giving some compensation to members and bondholders. The following was the reconstruction-scheme adopted, which provided for the formation of a new company with a capital of £100,000.

Table A. Reconstruction Scheme.

The existing capital of £122,000 to be written down by 90 %	£ 12,200
Creditors for debt of £57,000 to receive two-thirds, or £38,000 in stock of the old company. This £38,000 stock was to be likewise written down by 90 % and exchanged for stock of new company..................................	3,800

[1] *Journals of the House of Commons*, XVI. 180.

[2] Court Book, 1663-1670, f. 6.

[3] Court Book, 1663-1670, f. 37.

[4] *Ibid.*, f. 38.

[5] *Ibid.*, f. 59.

Creditors were to receive the remaining third of debt *in cash* out of subscription below.

Balance of subscription..............	84,000
Total capital, new company..	£100,000

Table B. Allocation of Capital of New Company Between Shareholders and Creditors of the Old.

Stock of new company to shareholders and creditors of the old company.........	£ 16,000
Cash to creditors of old company..................................	19,000
Cash available as working capital..................................	65,000
	£100,000

Table C. Position of the Creditors on Reconstruction.

For each debt of £100, there was paid in cash one-third,	£33. 6. 8
The remaining ⅔ of the debt converted into stock of old company for the same amount. This was transferred to stock of the new company at 10% of its nominal value, giving as the equivalent of, the remaining £66. 13. 4 of the debt £6. 13. 4 stock of the new company worth at par...	6 13 4
	£40 0 0*

* Conditional on stock selling at par.

In order to carry out this scheme of rearrangement of capital the charter was surrendered, as otherwise it was held that the new capital to be raised might have been claimed by the creditors of the old company.[1] On the cancellation of the charter, Charles II. incorporated the creditors and shareholders, who assented to the reconstruction scheme, as the "Royal African Company of England" in 1672. As it will be found that two distinct series of events, namely the state of the finances of the company and opposition to the monopoly, were frequently interacting and influencing its fortunes, it will be conducive to a clearer understanding of the transactions of an eventful fifty years to trace the history of each separately.

THE ROYAL AFRICAN COMPANY OF ENGLAND—ITS PRIVILEGES.

Under the charter of 1672 the usual privileges of incorporation are granted as well as "the whole entire and only trade" from Sallee to the Cape of Good Hope and the adjacent islands.[2] The company had the right of acquiring lands within these limits (provided such lands were not owned by any Christian prince) "to have and to hold for 1,000 years, subject to the payment of two ele-

[1] Treasury Records, Royal African Co., No. 1390, f. 2.

[2] Treasury Records, Royal African Co., No. 1390, f. 15.

phants' teeth," when any member of the royal family landed in Africa.[1] Powers were also given to the company to make peace and war with any non-Christian nation.[2] Amongst other miscellaneous privileges the right of Mine Royal was conveyed to the company on condition that the Crown might claim two-thirds of the gold won, on paying two-thirds of the expenses, the company retaining the remaining third.[3]

A considerable portion of the charter is occupied with provisions as to the internal government of the company. The stock-holders were to elect annually one governor, one sub-governor, one deputy-governor and twenty-four assistants.[4] This part of the constitution is similar to that of the East India Company at this date, except that the twenty-four officials are here called assistants instead of committees, and that a new office — that of sub-governor — is created. The latter difference is accounted for by the fact that the governorship of the African Company was an honorary appointment filled by members of the royal family. The quorum at the court meeting was seven, of whom either the governor, sub-governor or deputy-governor must be one.[5] In 1714 the qualification for an assistant was £2,000. Each £500 of stock commanded one vote up to a maximum of five votes.[6] In 1680 the stock-holders numbered 198.[7]

In addition to the privileges conferred by the charter, the company endeavored in 1672 to obtain Parliamentary sanction by promoting a bill. This was read a first time in the House of Lords but was "not proceeded with." [8]

For seven years, from its foundation up to 1678, the company was highly successful. In the three years 1676–1678, 50 guineas per cent. were paid or nearly 55 per cent.[9] These favorable results engendered hostility in two ways—as with the India Company, persons who had suffered for infringement of the monopoly of the company were bitter against it, and secondly those who had lost money from 1662 to 1670 and had failed to take up stock in the new undertaking were jealous of others who had been more fortunate. Writing in June, 1679, a member of the company says:

[1] *Ibid.*, f. 4.
[2] *Ibid.*, f. 19.
[3] *Ibid.*, f. 20.
[4] *Ibid.*, f. 8.
[5] *Ibid.*, f. 8.
[6] *Proceedings at a General Court Meeting of the Royal African Company, Feb. 18, 1714.* Lond. 1714 (British Museum 8223, e. 4).
[7] Treasury Records, Royal African Co., No. 1741. (Assts. Minute Book under June 17, 1680.)
[8] *Report of Royal Commission on Hist. MSS.*, IX. Pt. II., p. 9.
[9] *Vide infra*, p. 258.

"Mr. Edward Seymour is very bitter, because in the former stock he lost near £400 and is unconcerned in this. He was a subscriber but never paid his money so he envies us, and I believe we fare never the better at this time by having the Duke of York as our Governor."[1] Later in the year the same writer says that if the King wants money the company was not in a position to lend it, "for that's as poor as a Courtier . . . we go on paying off our debts that if the company be broke nobody may be sufferers but those that be in it."[2] The pessimistic prognostication of the last sentence was not borne out by events; for in the thirteen years from 1680 to 1692 eight dividends were paid and apparently a substantial reserve fund was formed. In 1691 the amount of each proprietor's stock was quadrupled without payment. This operation, like the doubling of the East India Company's shares in 1681, seems to have brought bad luck; for from 1691 to 1697 a series of disasters were encountered partly through the war and partly by disorganization of trade by persons who infringed the exclusive privileges of the company.

After the India Company had passed through the ordeal of an organized attack on its monopoly from 1692 to 1694, the opponents of exclusive grants turned their attention to the Royal African Company. The position of the company both financially and legally was comparatively weak and the assistants with some strategic ability petitioned Parliament in 1694 for leave to bring in a bill to establish the company rather than wait for the expected request for the formation of a regulated company. They alleged that the African trade was impossible unless carried on by a joint-stock company with exclusive privileges. The cost of the up-keep of the forts was £20,000 a year, and a regulated company could not find so large a sum. They also claimed consideration on the ground of the large losses of the company during the war, which were estimated at £400,000.[3] Davenant, who wrote in favor of the company, urged that it was the policy of its opponents to depreciate the value of the forts and factories, so that they should be transferred to the proposed regulated company at a nominal price.[4] Precedent was in favor of a joint-stock company for the African trade, for all other countries managed it on that basis,[5] and in no case by a regulated company—the reason being that in dealing with savages, forts and an armed force were necessary and the consequent charges could only be raised equitably from a joint stock. Further in dealing

[1] *Report of Royal Commission on Hist. MSS.*, VII. 472.

[2] *Ibid.*, 476.

[3] *Davenant's Works*, V. 157.

[4] *Ibid.*, 126.

[5] *Ibid.*, 127.

with natives unity of councils and a uniformity of rules were indispensable.[1] A single independent trader, who, for the sake of a quick profit, was prepared to ill-treat the natives had it in his power to injure the trade of other Englishmen by exciting the hostility of the chiefs.[2]

As against these arguments some very damaging evidence was adduced against the company at the Parliamentary enquiry which began on March 2d, 1694. One trader, Richard Holder, swore that he had a capital of £40,000 employed in the Guinea trade under license from the company. On his first expedition he made a profit of 50 per cent., in seven months, after paying 26 per cent. to the company on the value of his cargo. The next year the cost of his license was increased to 40 per cent. and in addition he was compelled to buy his trade-goods from the company, which cost him an extra 3 or 4 per cent. above the market price. He also suffered from being limited to trade only at certain specified places.[3] Besides these and other complaints of the excessive cost of licenses, it was alleged that the company had not complied with a provision in its charter, under which all goods imported were to be sold by "inch of candle," *i. e.*, by public auction. In the case of red-wood, sales had been made privately to some three or four favored persons, with the result that this commodity was engrossed and the price of it was three times what it had been formerly.[4]

The first result of the enquiry was that the Parliamentary committee recommended that the trade should be conducted on a joint-stock basis and the company received leave to bring in a bill.[5] This decision gave rise to further opposition and fresh petitions against the company. Finally in 1697 by the Act 9 and 10 Will. III c. 26 a compromise was effected. The company was continued, but its monopoly was modified so far as to legalize the position of the separate traders, who were to pay the following charges to the company to aid in the maintenance of the forts:

On Outward Voyages.

All goods .... 10 %

Homeward Voyages.

Gold, silver, negroes .... nil
Red-wood .... 5 %
Other goods... .... 10 %.[6]

[1] *Ibid.*, 131.
[2] *Ibid.*, 137.
[3] *Journals of the House of Commons*, XI. 114.
[4] *Ibid.*, XI. 287–290.
[5] *Ibid.*, 542, 592, 622.
[6] *Statutes*, VIII. 393.

This settlement was to last for thirteen years at least, and the separate traders had the right of establishing factories if they wished to do so. The effect of this arrangement was to render the African trade open to all who would pay the specified charges. The company discharged the duties of a regulated company without the privileges that accompanied them.

Though the separate traders had represented at the enquiry that, failing the formation of a regulated company, they were prepared to pay 5 to 10 per cent. for licenses, they now proceeded to undermine the position of the existing company. After the passing of the act, while the company was raising nearly half a million of nominal capital to equip expeditions, the first ships of the separate traders to reach Africa spread reports that the company was bankrupt and that the assistants were threatened with imprisonment for attempting to sell the forts to the Dutch. They seized several chiefs to ensure larger consignments of slaves for shipment to the plantations. The factors employed by the company were in many instances induced to enter the service of separate traders, and others who did not change masters engaged in private trade.[1]

Under such circumstances the trade could not be profitable to the company, and an even greater disadvantage than the hostility of the separate traders arose from the erroneous financial methods of the company which will be explained below.[2] Having issued stock at as low a price as 12 per £100 in 1697, further capital was obtained subsequently by the issue of bonds—at first from the public and later by an assessment on stock-holders for which scrip was given. Not only so but out of this money borrowed on bond dividends were paid as an "encouragement" to induce members to make further payments. The result was that the amount borrowed on bond, while only one-fourth of the *nominal* capital, actually exceeded the sums paid for that capital at the average of the various prices of issue.[3] Taking into account the unsatisfactory condition of the trade, the inevitable result of such vicious finance followed in 1708, when interest on the bonds could no longer be paid.

As a last resort application was made to Parliament at first in 1707 and again in 1709. In the latter year, in view of the nearness of the expiration of the thirteen years mentioned in the Act of 9 and 10 William III., the company petitioned for a fresh settlement on the ground that an open trade had depressed the price of English goods in Africa and raised the price of negroes in America.[4]

[1] *Davenant's Works*, V. 91, 93.

[2] *Vide infra*, pp. 252–254.

[3] *Vide infra*, p. 253.

[4] *Journals of the House of Commons*, XVI. 64.

This argument (which was similar to that advanced by the East India Company in 1656–1657) was supported by the planters, who gave as reasons for the enhancement of the price of negroes, first that there was excessive competition amongst the shippers in Africa and that therefore the cost price at the port was higher and secondly that owing to the want of skill of the new traders the mortality on the voyage was greater, with the result that the price of slaves in the West Indies was double what it had been before the trade was open.[1] The company, with the optimism of a suitor before a Parliamentary committee, stated that the stock-holders "were willing to advance more sums on their joint-stock."[2] The other side endeavored to show that the company, owing to its financial embarrassment, was in no position to maintain the present forts or to raise capital to build new ones.[3] During the season 1709–1710 the company's trade was only about one-thirteenth of that of the separate traders, as is shown by the following table.

Comparison of Trade of the Company and Separate Traders.[4]

	Number of Ships.	Value Cargoes.	10 per cent. thereon.
Company,	3	£3,944. 2. 6	£394. 8. 3
Separate Traders,	44	£50,c05. 12. 6	£5,000. 11. 3

Altogether the company's case did not appear to advantage and on March 31, 1712, it was resolved by a committee of the House of Commons that: (1) The African trade should be open to all British subjects under the management of a regulated company. (2) The forts were to be maintained and enlarged. (3) The cost of such maintenance should be defrayed by a charge on the trade. (4) The plantations should be supplied with negroes at a cheap rate. (5) A considerable stock was needed for carrying on the trade to the best advantage. (6) At least £100,000 value of English goods should be exported annually to Africa.[5]

Naturally the company petitioned against these resolutions, which were intended to form the basis of a fresh bill. The assistants urged that the company had a legal right to their forts, and if this right were denied they claimed the same trial at law as any other corporation to defend their freehold.[6] After considerable debate the matter dropped; and, as far as the legal position of the company was concerned, no change was made. An act, however, was passed, December 20, 1712, to enable the company to make a

[1] *Ibid.*, XVII. 636.
[2] *Ibid.*, XVI. 64.
[3] *Ibid.*, XVI. 235.
[4] *Ibid.*, 552.
[5] *Ibid.*, XVII. 164.
[6] *Ibid.*, 319.

settlement with its creditors,[1] which legalized the arrangement explained below.[2] On April 13, 1713, the House of Commons again resolved that the trade should be open, subject to charges for the maintenance of forts, and a bill was brought in to give effect to this resolution, which, after passing the Commons, was rejected by the House of Lords.[3]

Thus the respective rights of the company and the separate traders remained undetermined. On several occasions Parliament endeavored to effect some improvement, but without success. In 1750 the joint-stock company was dissolved after many further changes of capital, and in 1752 the forts were transferred from the recently created regulated company to the Crown.

The Finance of the Royal African Company.

In the foregoing account of the contest against the exclusive privileges of the company it has been necessary to postpone the consideration of the financial operations of the assistants owing to the complicated nature of the capital account. Going back to the formation of the company in 1672, the preamble or prospectus for subscriptions had mentioned £100,000 as the amount of the proposed capital, but by 1676 the total stock issued was £111,100, at which figure it remained, during the successful years of the company's history, till 1691, when by order of a General Court held on July 30th it was resolved to give a bonus in stock of 300 per cent. to each stock-holder. There is reason to believe that the company had accumulated a considerable reserve out of profits over and above the 10 or 20 guineas per cent. paid annually as dividend.[4] The assistants in speaking of these early years mention "the great and extraordinary success with which the trade had been carried on."[5] Houghton, too, stated in 1682 that "the Guinea Company was as safe as the East India Company."[6] The wording of the resolution for the bonus addition of capital confirms this view of the company's finances at the time. It is expressed in the following terms: "voted, by reason of the great improvements that have been made on the Company's Stock of £111,100 that every £100 adventured be made £400 and that the members have credit given them accordingly."[7]

After the date of this resolution the capital stood at £444,400,

[1] 10 Ann c. 24.
[2] *Vide infra*, 255–256.
[3] MacPherson's *Annals of Commerce*, III. 34.
[4] Treasury Records, Royal African Co., No. 1455, f. f. 12, 34, No. 1456, f. 1.
[5] *Memorial on Behalf of the Royal African Co.* (British Museum, 816, m. 11).
[6] *A Collection of Letters for the Improvement of Husbandry and Trade*, II. 47.
[7] Treasury Records, as above, f. 14.

of which only about £80,000 had been paid in cash—a part of the stock having been reserved for members and creditors of the old company.

The time for quadrupling the stock was ill-chosen, for on the outbreak of the war immediately afterwards the company sustained great losses. In 1693, capital was required to carry on the trade; and, on March 27th, an issue of £180,850 of stock was made at £40 for the share of £100, bringing in £72,340. This issue came at a time when the price of the stock had been falling. In 1692 the quotation had varied from 52 to 44. In the next year, 1693—that of the issue—during the month of January it varied from 47 to 46; in February and March, previous to the new issue, the quotation was 44; afterwards it fell (March 28–30) to 41, so that the issue-price gave a very small bonus to applicants. The price remained at 41 during the months of April and May. With a few temporary recoveries it fell to 36 at the end of September, reaching 32 early in October, the lowest point of the year. Shortly afterwards there was a recovery to 34, which was maintained in November and December.

The evidence of the Parliamentary enquiry of 1694, in combination with other unfavorable circumstances, still further reduced the market value of the stock—the lowest prices of years 1694, 1695, 1696 and 1697 being 20, 18, 17 and 13 respectively. During these years the company had become considerably indebted and, instead of sending ships to Africa, it had licensed merchants not free of the company at a high royalty. After the compromise of the act of 1697, which, while not providing a satisfactory settlement of the company's legal position, at least settled matters for some years, an attempt was made to raise capital to discharge the most pressing liabilities and to despatch ships. The governor and assistants decided to make a fresh issue of capital. In 1697 the price of the stock had fallen as low as 13 for cash and 16 for payment in bank-notes. It was resolved on October 7 to double the existing capital of £625,250, the new issue being offered at 12 per £100 stock payable by installments of £7 "presently," £3 on April 7, 1698, and £2 on October 7, 1698. Although the issue-price gave a bonus of nearly 10 per cent. only £475,800 stock was taken up which realized £57,096. Thus the total capital after October 7, 1697, stood at £1,101,050.[1]

In 1698, according to a report of the Board of Trade, the balance in favor of the company, including ships, stock and debts due (some of the latter being admittedly not good), after deducting lia-

[1] Treasury Papers, No. 1459 f.f. 1, 134. Also an inset leaf in No. 1458, giving particulars of the various issues of stock.

bilities amounted to £189,913.5s.[1] It is a somewhat curious coincidence that the middle market price of the year, 16, gave a valuation of £176,168 for the £1,101,050 nominal capital, and the highest price, 17, a valuation of £187,178.10.

It will thus be seen that the history of the capitalization of the company is slightly complicated, and from the fact that stock was issued as low as 12 it might be concluded that the shareholders had suffered severely by the reduction of the value of their holdings. It is to be remembered, however, that the total capital of £1,101,050 represented cash payments of £240,536 only (ranking the amount of stock handed over to creditors and shareholders of the old company as cash).[2] Now taking the four years 1698–1701 — being the period intervening between the last issue of share capital and the first floatation of bonds which latter event affected quotations — the mean price was 16⅜ and, therefore, the valuation of the £1,101,050 stock was £180,297. Therefore, at this price, the total investment of £240,536 was valued at £180,297, the loss being £60,239 or only about 25 per cent., while at the highest price for the four years, 24, the market price showed a profit of nearly 10 per cent. The same facts may be expressed in another form. The original £100 stock was converted into £400 stock, without fresh capital being brought in — in other words by the rearrangement of 1691 £25 of the original subscription commanded £100 of stock — the issues of 1693 and 1697 were made at 40 and 12 respectively, so that taking into account the different amounts subscribed the average issue-price of each £100 stock was about 21.85. The following table shows the position of the stock-holder at this average with some representative quotations:

	Average of the High and Low Prices of 4 years.	Highest Price, 1698–1701.	Lowest Price, 1698–1701.	Average of the Highest and the Lowest Price.
Stock exchange quotations	16⅜	24	12	18
Average amount paid per £100 stock .	21¾	21¾	21¾	21¾
Gain or loss per £100 stock	−5⅜	+2¼	−9¾	−3¾

In 1702, the company being still in want of money, a new method of finance was adopted. At a General Court held on December 15th it was resolved that a call should be made of £6 per cent. on all stock-holders and bonds were to be given for the

[1] British Museum Add. MSS., No. 14,034, f. 104.

[2] *Vide infra*, p. 257. "Summary of Capital."

amounts paid in response to this assessment. This call represented nearly 50 per cent. of the price paid by persons who had recently purchased stock. Following the same method £7 was called in 1704, £4 in 1707 and £4 in 1708. These calls should have brought in about £230,000 but only £207,098 was paid. By one of the many coincidences in the finance of this company, the total amount of calls (21 per cent.) almost exactly equalled the average issue-price of the stock. Besides these bonds accepted by stock-holders under compulsion, there was due to outsiders, also on bond, over £92,-000, making the total debt about £300,000. Thus in 1706 the capital of the company was as follows:

Due on bond about....................	£ 300,000
Stock	1,056,350[1]

Some of the bonds had been issued at a discount of 20 per cent., so that it is probable the actual amount received in cash for the bonds was but little in excess of the amount of capital actually subscribed, the amounts being approximately as below:

Amount realized by issues of bonds, say,.....	£280,000
" " " " " capital stock ...	240,536

So far the history of the company had been on the whole unfortunate; it now became little short of dishonest. As an "encouragement" for shareholders to pay these assessments, dividends were declared, and made out of capital. In this way seven dividends were paid from 1702 to 1707 amounting to 4½ per cent. or about £47,500,[2] so that the assessed stock-holders, while receiving back nearly one-quarter of the principal lent (in the form of dividend on their ordinary stock), were being paid interest on the whole of it. Probably the interest on these bonds was also paid out of capital, so that the stock-holders who advanced money were able to rank as preferred creditors for the whole amount of their bonds after, in some cases, half of the amount had been repaid in the form of interest and dividends!

This mode of finance as well as the pressure of loans generally on the company at a critical period of its history was a more serious hindrance to its prosperity than the losses of the war or the competition of the separate traders. If the increment of capital from undivided profits in 1691 was *bona fide* it had confessedly been lost;

[1] Treasury Records, Royal African Co., No. 1,488, f. 23. The amount of stock is reduced, owing to forfeitures for non-payment of calls.

[2] This is calculated on the amount of stock existing in 1706 which was less than that outstanding in 1697, owing to forfeitures for non-payment of calls (see below, "Summary of Capital," p. 257).

thus the real capital of the company was actually less than the loans for which it was pledged. In 1710 the company presented a valuation of their assets to Parliament in which its quick stock (including debts due, apparently both good and bad) negroes and stock only amounted to £279,555. It is true that the total was swelled to £517,749 by an exaggerated estimate of the dead stock (forts, etc.) at £238,194;[1] but whatever may have been the value of the latter, it is obvious that the bonds were ill-secured both as to principal and interest. Early in 1708 bonds were sold at 84,[2] and later in the year when interest could no longer be paid, according to one account, the price was as low as 30.[3] The embarrassment of the company was reflected in the price of the stock which touched 4⅞ in 1708 and fell as low as 2⅝, 2½, 2⅛, 2¼ in the years 1709, 1710, 1711, 1712 respectively—thus at the lowest price the million of capital was valued at no more than £21,500.

Obviously the time for reconstruction had come, indeed the rearrangement of the capital account had been too long delayed. In January, 1709, the governor and assistants had petitioned Parliament for the restoration of the privilege of exclusive trade, and for the next two years this question was under the consideration of the House.[4] At first there was some difficulty in arranging a reconstruction owing to the necessity of providing fresh capital in a way that would be acceptable to the creditors, who were not willing to take new stock for their debts. The company professed itself ready to raise £500,000 as an additional stock and undertook to write down the existing capital to its present estimated value.[5]

According to an estimate made by the company, the capital required was £1,238,194, of which £238,194 represented the previous value of the dead stock, and the remaining £1,000,000 the existing quick stock augmented by the proposed new subscription.[6] Under this scheme the valuation of the existing capital would have been much beyond its market price and therefore both the creditors and new subscribers would have been under a distinct disadvantage. Another scheme, about 1710, proposed the formation of a new or reorganized company, consisting of the members of the old, its creditors and new subscribers. The dead stock was to be valued at £150,000 (little more than half the former estimate), and the other

[1] *Journals of the House of Commons*, XVI. 317-319.
[2] British Museum, Add. Mss. No. 14,034, f. 105.
[3] *Journals of the House of Commons*, XVI. 326.
[4] *Ibid.*, 64.
[5] *A Short and True Account of the Importance and Necessity of Settling the African Trade* (? 1712, British Museum, 816, m. 11 (12)).
[6] *The Royal African Company and the Separate Traders agreed*, etc. (British Museum, 8223, e. 11.)

assets were to be taken at the price which they might be expected to fetch in the open market. The total estimated value of all assets on this basis was to be divided equally between the present stock-holders and the creditors.[1] Under this proposal it is probable that the creditors would not have been paid in full even in new stock to the amount of their debts and for this and other reasons no more is heard of this scheme. A further obstacle to an equitable reconstruction arose from the speculation that had grown up in the bonds of the company since the suspension of interest in 1708.[2] There were thus three classes of bondholders to be considered: (*a*) those who in the successful years of the trade had purchased bonds as an investment; (*b*) members of the company who by right of such membership had received bonds either at a discount or who having subscribed at par had received back a part of the sums lent in the form of dividends on their stock; (*c*) speculators who had bought bonds as low as 30 on the chance of payment being made at par or only a slight discount on reconstruction. Obviously the latter class deserved little sympathy but their position was strengthened by the fact that a large proportion of the bonded debt was still held by members of the company, who by their voting rights would exert a large influence on the terms of reconstruction.

Meanwhile the condition of the company's finances had gone from bad to worse. The assistants in 1712 spoke of its difficulties "as being without precedent or parallel."[3] It had in fact come to the end of its resources, having "mortgaged both its stock and credit"[4] and there was no way out of the "labarynth of debt" in which it was involved.[5] Finally in September, 1712, a reconstruction scheme was at last agreed to which was sanctioned by Act of Parliament.[6] According to this scheme the capital was to be written down by 90 per cent., thereby reducing it to practically the same amount at which it stood at the formation of the company in 1672. The stock-holders, before receiving stock in the reorganized company, were to pay a call to provide working capital and the money due on bond was to be paid by an issue of new stock to the bondholders at par.[7] There is some uncertainty as to the amount

[1] *A Proposal agreed unto for the more Effectual Support and carrying on the Trade to Africa.* (British Museum, 816, m. 11.)

[2] *Some Queries relating to the Present Dispute about the Trade to Africa.* (British Museum, 816, m. 11.)

[3] *A Short and True Account of the Necessity of Settling the African Trade.* (British Museum, 816, m. 11.)

[4] *Ibid.*

[5] *The Case of the Royal African Company.* (British Museum, 8223, e. 18.)

[6] 10 Ann. c. 34.

[7] *A Brief Narrative of the Royal African Company's Proceedings with their Creditors*, pp. 1-3. (British Museum, 8223, e. 30.)

of new stock distributed amongst the members and the rate of the assessment. In the ten years since 1702 there had been a reduction in the capital from £1,101,050 to £1,009,000 through forfeitures for non-payment of calls. This capital of £1,009,000 was exchangeable for new stock at 10 per cent. of its face value. An assessment of 5 per cent. on the old capital or 50 per cent. on the new was made and in this way £50,450 working capital was provided. Thus the total amount of new capital available for the old stock-holders was £151,350.[1] The following are the details in tabular form showing the total capital after reorganization:

Capital Reorganization of 1712.

Old capital of £1,009,000 written down by 90 per cent.,	£100,900	
Assessment of 50 per cent. thereon,	50,450	
New stock alloted to proprietors,		£151,350
Stock given in exchange for bonds, (about)		300,000
Total capital after reorganization,		£451,350

Previous to the reconstruction the sum of £240,536 actually subscribed for the nominal capital was, at the middle price of January in 1713, *i. e.*, $4^1/_{16}$, valued at no more than £40,990 or less than 20 per cent. of the total original subscriptions—in other words the £100 of stock, which cost at average issue-prices 21¾, could now be purchased at from 4¼ to 3⅞. To compare these quotations with those prevailing after the reconstruction it is necessary to take account of the estimated amount of the assessment, and, making this allowance, the following comparative results are obtained:

Market value of stock prior to reconstruction as above,	£40,990		
Assessment paid in cash,	50,450	Converted into new stock amounting to	£151,350
	£91,440	which was worth at 60%,	90,810

It therefore follows that the first price quoted after the reconstruction, viz., 60, was practically equivalent to the previous one, taking account of the assessment. The middle price of the year 1713, *i. e.*, 52¾, showed a decline and the lowest (45¼) a further decrease. In the next year, 1714, the quotation continued to recede, owing to a further call of 25 per cent., for which neither

[1] Treasury Records, Royal African Company, No. 1489, f. 66.

stock nor bonds was given.[1] At this date the capital had been reduced to £402,950, probably through forfeitures for non-payment of the call at the reorganization. According to a statement made at the court meeting when this call was sanctioned, the assets then stood at £405,519.

From 1715 to 1718 the company continued to be unfortunate. The lowest price of each of the four years was only 15 or 16 for the reduced capital, thus repeating those from 1697 to 1700 for the old. A further instance of the ill-luck of the company came in 1720 when an issue of capital, known as the "engrafted stock," was made at a low price, and within a few months the price had risen from 23½ to 185.[2]

SUMMARY OF THE CAPITAL OF THE ROYAL AFRICAN CO., 1672–1712.

			Stock.	*Cash.*
1672.	In the reconstruction of the old company its members received stock credited as fully paid,	£12,200		
	New members paid for remaining stock at par,	£98,900	£111,100 0 0	£111,100 0 0
1691, July 30.	Bonus addition of 300 per cent. without payment,		333,300 0 0	
	Totals, 1691,		444,400 0 0	111,100 0 0
1693. Mar. 27.	Issue of £180,850 stock at 40,		180,850 0 0	72,340 0 0
	Totals 1693,		625,250 0 0	183,440 0 0
1697, Oct. 7.	Issue of £475,800 stock at 12,		475,800 0 0	57,096 0 0
	Totals, 1697,		1,101,050 0 0	240,536 0 0
1706, Apr. 9	Owing to forfeitures for non-payment of calls total stock was—		1,052,550 0 0	
1706, Jul. 11			1,055,650 0 0	
1706, " 15			1,056,350 0 0	
1712, Sept. 25	At this date total stock was		1,009,000 0 0	
	Old stock written down by 90 per cent. and exchanged for new stock under reorganization,	£100,900		
	Assessment of 50 per cent. for which stock was given,	50,450		50,450 0 0
	New stock assigned to creditors (say)	300,000		280,000 0 0
	Total stock after reconstruction,	£451,350	£451,350 0 0	£570,986 0 0

[1] *Proceedings at a General Court Meeting of the Royal African Company, Feb. 18, 1714.* Lond. 1714, British Museum (8223, e. 4).

[2] Treasury Records, Royal African Co., No. 1743, f. 2.

DIVIDENDS AND PRICES OF STOCK.

Prices.[1]				Dividends.[2]
Year.	Date of Highest Price.	Highest and Lowest Prices.	Date of Lowest Price.	
1672 to 1675				
1676				I 10 guineas per cent. at 22/s equal 11% sterling. II 10 do. equal do.
1677				III 10 do. at 21/6 equal 10½% sterling. IV 10 do. do.
1678				V 10 do. at do. equal do.
1679				
1680				VI 10 do. equal do.
1681				VII 10 "
1682				
1683				
1684				
1685				
1686				From 1682 to 1691 inclusive five dividends were paid.[3]
1687				
1688				
1689				
1690				
1691				
1692	Jan.	52–44	May 9, 16	XIII 3 per cent. on the new capital equal 12% on the old capital.
1693	Jan.	47–32	Oct. 6	
1694	12, 19 Jan.	34–20	Apr. 27, May 3	
1695	9, 16 Jan., 21 Aug., 13 Nov., 11 Dec.	23–18	Dec. 20-31	
1696	5 Feb.	21–17	Apr. 23, May 20, June 24, Dec. 30	
1697	6 Jan.	17 } 16, 13[4]	Aug. 25–Dec	
1698	24 Aug.	17–15	Oct. 5	
1699	4, 11 Jan., 28 Mar., 16 Apr. to 10 May	16–14	Sept. 6	
1700	7 Aug.	24–15	Jan. 17	
1701	16–30 Apr.	18–12	Dec. 17–24	
1702	5, 12 Aug.	15–11	Feb. 4, 11; Apr. 29 to June 17	Iª ½ per cent.
1703	25 Aug.	22⅛–12	Feb. 24 to Mar. 17	IIª ½ per cent.
1704	15 Dec.	23½–18	Oct. 30	IIIª ½ per cent.
1705	8, 17 Jan.	21½–14¼	Dec. 5	
1706	14 June	17¾–14	Apr. 24	IVª ¾ per cent. Vª ¾ "
1707	8–20 Jan.	15¼–7⅜	Aug. 15–25	VIª ¾ " VIIª ¾ "
1708	7 June	8¾–4⅞	Apr. 14	
1709	7 June	6–2⅝	Oct. 7	
1710	4 Jan.	4¼–2½	Feb. 20	
1711	5 Oct.	4½–2⅛	May 23, July 9–23	

Dividends and Prices of Stock.—(*Continued.*)

Prices.				Dividends.
Year.	Date of Highest Price.	Highest and Lowest Prices.	Date of Lowest Price.	
1712	11 Jan., 15 Feb., 22 Feb., 7 March	4¼–2¼	May 7	
1713	2, 16 Jan.	4¼–3⅞	Jan. 9	
NEW STOCK AFTER REORGANIZATION				
	2 Feb.	60–45½	Dec. 18	
1714	8 Jan.	46–22	Dec. 10–28	
1715	8–27 April	27–15	July 27–Aug. 22; Sept. 28–Dec. 2	
1716	4 Oct.	30–15	June 18–Aug. 5	
1717	6 Dec.	22¾–16	July 5	
1718	3–11 Jan.	22½–16	June 3–Aug. 29	
1719	23 Oct.	26–23	Oct. 14	
1720	3 June	85–23½	Jan. 1–8	

[1] The prices up to 1703 are taken from Houghton's *Collection for Improvement of Husbandry and Trade*, after that date from the *Postman and Historical Account*, the *Daily Courant* and other newspapers.

[2] Treasury Records, Royal African Co., No. 1455 (Stock Journal), No. 1678 (Minute Book of Assistants).

[3] There are no Stock or Court Books in existence for these years.

[4] 13 for cash, 16 in "Bank Money."

W. R. Scott.